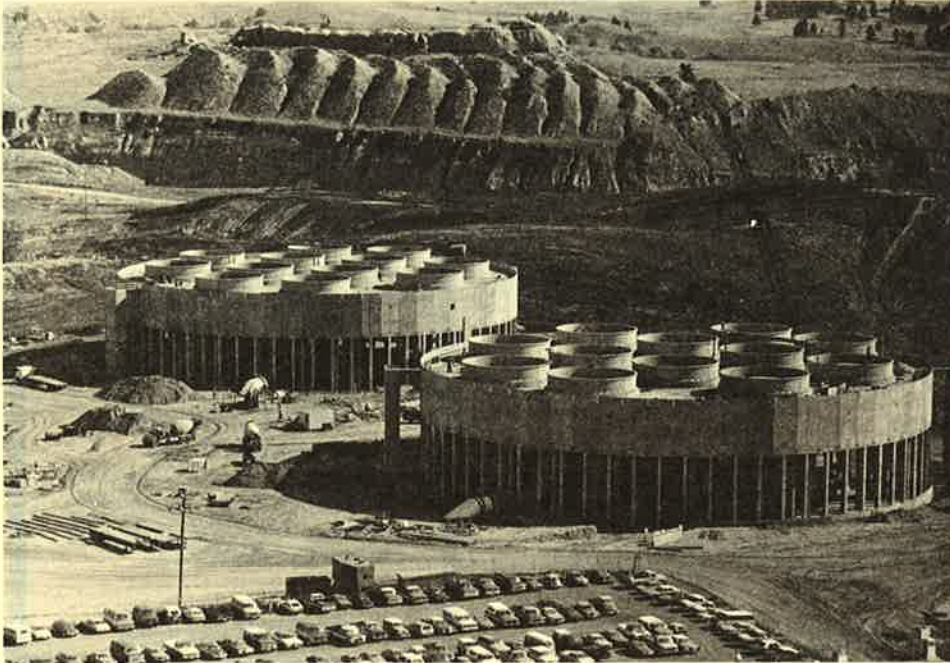


Colstrip: A Look at a Classic Jigsaw Acquisition Project

by Jim Couture, SR/WA
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A perspective of generating station size: Cooling towers for Colstrip 3 and 4 take shape.

The largest energy construction project west of the Mississippi, at Colstrip in southeastern Montana, is as much a tribute to human patience and man's ability to deal with others as a successful culmination of management, engineering and construction skills.

Four large coal-fired generating plants, a revitalized and growing town and a major transmission line across the nation's fourth largest state describe the bare outlines of the Colstrip story. What isn't apparent at the sprawling generation-coal mining site some 110 miles east of Billings is the piecing together of diverse attitudes about land, the environment and the need for a new major power source for Montana and the Pacific Northwest.

Colstrip units 1 and 2, each able to generate 330 megawatts of electricity, are owned jointly by Puget Sound

Power and Light and Montana Power Company, which operates the Colstrip plants and town. This \$315 million project, of which \$82 million went for the most efficient air and water controls available, went on line in late 1975 and 1976, respectively.

"These units and the associated facilities represented the largest investment ever made by private industry in Montana history," recalled Jim Couture, manager of Montana Power's real estate department.

"When an application was filed with the Montana Department of Natural Resources and Conservation in June 1973 to construct Colstrip units 3 and 4, the estimated cost of the additional plants and the transmission and substation facilities was about \$500 million."

But a complex gauntlet of state and federal permit requirements, growing skepticism of the needs for

Jim Couture, SR/WA, who holds a degree in agricultural economics from Washington State University, worked as a realty specialist for the Bureau of Indian Affairs before joining Montana Power as a right-of-way agent in 1956. Since 1969 he has served as the company's manager of real estate, supervising a 13-member department involved in all phases of real estate and right-of-way activity, including the sale and lease of real property. Couture is a charter member and past president of Montana Big Sky Chapter 45 of the International Right-of-Way Association.

Dan Berube, MPC's manager of the Colstrip 3 & 4 project, holds a mechanical engineering degree from the University of Washington and a graduate engineering degree from Butte's Montana Tech. He joined the company in 1964 and during 1967-68 was involved in the construction and startup of MPC's coal-fired Corette generating plant at Billings.

Jim Schwartz joined the company in 1982 as MPC's director of news relations and editorial services. He holds a graduate degree in environmental communications from the University of Wisconsin and has experience with four major newspapers, a major oil company, the Wisconsin DNR and as public information director of Western Washington University.

the four-unit Colstrip complex and a checkerboard of land ownerships in the Big Sky state delayed startup for units 1 and 2, and created negative attitudes toward 3 and 4.

"This was a contested project," said Dan Berube, MPC's manager of the Colstrip 3 and 4 project. "Sophisticated pollution controls were needed, Colstrip was undergoing a town expansion and we had to build the state's first 500 kilovolt transmission line."

Colstrip 3 and 4, each capable of generating up to 700 megawatts, are 30 percent owned by MPC. Puget Sound Power and Light owns 25 percent; Washington Water Power Co., 15 percent; Portland General Electric, 20 percent, and Pacific Power and Light, 10 percent.

"The project also included a 31-mile underground water pipeline," Berube added. "Com-

pounding problems was that Colstrip, a town we purchased from the Northern Pacific Railroad in 1959, was in a relatively unpopulated part of the state. The land was pretty well divided up among federal and state agencies, properties with interlocking ownerships and some utilities such as Burlington Northern Railroad and at least one small REA."

Originally, Montana Power had proposed to build the approximately 450 miles of high voltage transmission line from Colstrip to Hot Springs, where the Bonneville Power Administration (BPA) would switch the power to users in the Pacific Northwest. But delays developed, in part due to breakdowns in negotiations for right of way through tribal lands where the BPA already had a corridor. To expedite the job, MPC agreed to build the line from Colstrip to Townsend, where the federal agency would pick up the project to Hot Springs and eventual hookup with Washington Water Power at Spokane. In all, some 36,000 square miles of Montana had come under environmental and related scrutiny.

Compounding problems for Couture's staff and Universal Field Services of Billings, which helped MPC with right of way negotiations, was the so-called "one-stop" permit, the Montana Facility Siting Act, which became law in 1973. Couture's log from March 1973 to early 1981 covers six pages of listings of negotiations and permitting hurdles with state agencies, federal entities such as the Environmental Protection Agency and the Bureau of Land Management, Indian tribes, state and federal courts and environmental groups such as the Northern Plains Resource Council.

The Council's activities during negotiations for lands for Colstrip 3 and 4, and MPC's 300-foot right of way for its transmission line from Colstrip to Townsend, particularly rankled Couture, who has been negotiating for his company for 28 years.

"One of their favorite tactics is to contact landowners along the route of a proposed transmission corridor and incite these people to organize into groups and oppose locating the

facility on their land or even in their area because electric lines are dangerous or devalue the land," Couture said. "Gross distortion of the truth is the name of their game."

Berube and the 150 to 180 others involved in the management of units 3 and 4 take pride in the fact that the \$1.8 billion project eventually succeeded in getting fully permitted by state and federal agencies, and that the project has been able to keep on schedule ever since.

"Colstrip 3 will be on line in early 1984 and unit 4 will be operating by mid-1985," he said. "And, in 1979 when we calculated the full costs of the plants, related facilities, transmission line and substations at Colstrip and Broadview, we said \$1.8 billion, and that's still the figure today."

"Because of the lack of permits at first," he explained, "some design and procurement aspects of the project initially lagged. Bechtel, our prime contractor on the plants, helped us get permits and has worked hard at maintaining schedules."

While engineers and contractors fumed at permit delays, real estate teams were busily piecing together their own complex jigsaw puzzle. Land needed for Colstrip and transmission lines designed by Chas T. Main of Portland were checker-boarded into ownerships that cut across state, federal and private holdings.

"Most were individual landowners who aside from Burlington Northern, didn't want to sell their land for cash," Couture said. "They had purchased their grazing land years ago for a low amount and now the market value of their land would give them tax headaches with the IRS if they sold."

For right of way experts on the scene, the trick was to find comparable Montana ranchland to exchange for the proposed Colstrip properties.

"Sometimes we were able to piece together similar land near the boundaries of a ranch we wanted; other times we had to find comparable property as far away as 200



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miles," Couture recalled.

More remarkable, since negotiations for Colstrip properties began in the early 1960s, there were no condemnations for the industrial site and only 14 occurred on the transmission line right of way.

"We're proud of the low condemnation record," Couture said. "In our industry, 14 condemnations out of 156 parcels of right of way on a 220-mile, 300-foot-wide project is well below average."

Last fall, when the Colstrip workforce peaked at 4,200, expansion of Colstrip, the town, had kept pace. With a temporary population of about 8,000, the town has won several national design awards for its well planned streets, modern complexes of homes, condos and mobile units, modern schools, multi-purpose recreation center and commercial areas. When Colstrip unit 4 is completed in 1985 the town is expected to support a permanent population of about 4,500.

Western Energy, a wholly owned subsidiary of Montana Power, operates a major surface coal mine at

Colstrip, currently providing up to ten million tons of low-sulphur coal a year for Colstrip 1 and 2, MPC's Corette plant at Billings, and for out of state utilities. WEC's Rosebud Mine, like Costrip the town, has won wide recognition for planning -- in this case for recontouring and revegetating more than 2,000 acres of mined land for grazing and wildlife use.

And, as with the case of Colstrip's air, water and noise pollution controls, which meet or exceed national standards, continued sensitivity is focused on the real and potential impacts of the project on the state's people and natural environment.

"Some ranchers had lived on their land for generations and they attached a tremendous amount of sentimental value to their property," Couture said. For example, an elderly widow in her '80s, living in Milwaukee, was reluctant to sell her leased ranch because, as a young girl, "she used to ride her pinto pony there."

"I made at least eight trips to Wisconsin to negotiate with her and



Mining Western Energy Company's Fort Union coal formation at Rosebud Mine.

her attorneys," Couture said, "and eventually we were successful."

Like Berube, Couture is well aware of the frustrations of licensing, environmental delays, negotiations and other snags that cause a project originally billed at \$500 million to escalate to \$1.8 billion.

"We were very conscious in the early phases of the project that the real estate people had deadlines to meet," he recalled. "Bechtel, the prime contractor, had its own timetables for building Colstrip's settling ponds and other facilities."

Martin McCarthy, one of 13 professionals in Couture's department, said the assignment was complicated by checkerboard patterns of land ownership among public, private, and industrial users, and with determining the status of surface and underground coal and mineral rights.

Through it all, McCarthy said, "the object was to maintain good rapport with landowners and their representatives, and with keeping our four Colstrip partners informed on our activities."

As for Couture, who calls Colstrip real estate and right of way negotiations a "classic case" in reconciling diverse interests, the path to success was "pretty fundamental."

"It gets down to knocking on doors," he said. "You're a salesman -- only you're trying to buy. Your job is to convince the prospective seller that he's contributing his land to a worthwhile project and that it's in his interest to cooperate."

"In the end, the Colstrip lands and the transmission line right of way was pieced together. And," Couture emphasized, "no landowner lost money in the transactions."

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